南京熊猫電子股份有限公司

NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0553)

2008 PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

1. IMPORTANT NOTICE

1.1 The board of directors (the "Board"), the Directors, the Supervisory Committee, the Supervisors and senior management staff of Nanjing Panda Electronics Company Limited (the "Company") confirm that the information in this announcement does not contain any misrepresentation, misleading statements, or material omissions, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents. This announcement was extracted from the text of the Company's 2008 Annual Report which provides the information for the year ended 31 December 2008 as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Investors who are interested in obtaining further details should read the 2008 Annual Report.

1.2 Directors Mr. Li Anjian, Mr. Shi Qiusheng and Mr. Lu Qing were engaged in other duties and unable to attend the Board meeting held on 26 March 2009. They appointed Mr. Xu Guofei to attend the meeting and to exercise the voting rights on their behalves.

1.3 Both UHY Vocation HK CPA Limited and Vocation International Certified Public Accountants Co., Ltd. have prepared the unqualified auditors' reports.

1.4 Mr. Li Anjian, Chairman of the Company, Mr. Shen Jianlong, Chief Accountant, and Ms. Wu Yuzhen, Manager of the Finance Department, have declared the truthfulness and completeness of the financial statements contained in the 2008 Annual Report.

2. BASIC INFORMATION OF THE COMPANY

2.1 Basic information

Stock abbreviation	A Share: Nanjing Panda	H Share: Nanjing Panda
Stock code	600775	0553
Place of listing	Shanghai Stock Exchange ("Shanghai Stock Exchange")	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")
Registered address	Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, the People's Republic of China	
Office address	301 Zhongshan Road East, Nanjing, the People's Republic of China	
Postal code	210002	
Website	http://www.panda.cn	
E-mail address	dms@panda.cn	

2.2 Contact person and means of contact

	Secretary to the Board	Securities Affairs Representative
Name	Shen Jianlong	Chen Yebao
Correspondence address	301 Zhongshan Road East, Nanjing, the People's Republic of China	301 Zhongshan Road East, Nanjing, the People's Republic of China
Telephone	(8625) 8480 1442	(8625) 8480 1144
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E-mail address	dms@panda.cn	dms@panda.cn

3. ACCOUNTING DATA AND FINANCIAL INDICATORS HIGHLIGHTS

3.1 Prepared in accordance with Hong Kong Financial Reporting Standards

Consolidated Income Statement

For the year ended 31 December 2008

	Note	**2008** *RMB'000*	2007 *RMB'000*
Turnover	2	**1,120,391**	994,038
Cost of sales	5	**(1,031,032)**	(848,399)
Gross profit		**89,359**	145,639
Other income	3	**33,319**	21,952
Other loss — net		**(2,597)**	(3,913)
Distribution costs	5	**(26,501)**	(18,282)
Administrative expenses	5	**(205,876)**	(215,284)
Operating loss		**(112,296)**	(69,888)
Finance income	4	**9,692**	3,413
Finance costs	4	**(54,456)**	(58,454)
Finance costs — net	4	**(44,764)**	(55,041)
Share of profit of associates		**201,284**	247,405
Profit before income tax		**44,224**	122,476
Income tax expense	6	**(5,996)**	(2,665)
Profit for the year		**38,228**	119,811

Attributable to:			
Equity holders of the Company		**36,626**	111,995
Minority interest		**1,602**	7,816
		38,228	119,811
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Renminbi per share)	7	**0.06**	0.17
Dividends	8	**—**	52,401

Consolidated Balance Sheet

As at 31 December 2008

	Note	**2008** *RMB'000*	2007 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**49,253**	48,805
Property, plant and equipment		**534,621**	503,479
Investments in associates		**937,585**	1,030,034
Deferred income tax assets		**5,950**	5,204
		1,527,409	1,587,522

Current assets			
Inventories		**341,847**	305,991
Trade and bills receivables	9	**214,211**	103,474
Deposits, prepayments and other receivables		**78,704**	108,204
Amounts due from fellow subsidiaries, associates and related companies		**28,708**	48,508
Amount due from the ultimate holding company		**21**	—
Pledged bank deposits		**33,259**	92,015
Cash and cash equivalents		**350,395**	391,684
		1,047,145	1,049,876
		2,574,554	2,637,398
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**655,015**	655,015
Share premium and reserves		**838,287**	835,666
		1,493,302	1,490,681
Minority interest in equity		**12,141**	46,911
Total equity		**1,505,443**	1,537,592

LIABILITIES			
Non-current liabilities			
Finance lease obligations			
— non-current portion		**3,546**	7,387
Current liabilities			
Borrowings		**643,047**	711,335
Trade payables	10	**189,251**	162,123
Accruals and other payables		**169,817**	172,477
Amounts due to fellow subsidiaries, associates and related companies		**18,381**	20,531
Amount due to the ultimate holding company		**10,656**	11,402
Finance lease obligations			
— current portion		**9,167**	10,534
Current income tax liabilities		**25,246**	4,017
		1,065,565	1,092,419
Total liabilities		**1,069,111**	1,099,806
Total equity and liabilities		**2,574,554**	2,637,398
Net current liabilities		**(18,420)**	(42,543)
Total assets less current liabilities		**1,508,989**	1,544,979

1. Basis of preparation

The consolidated financial statements of Nanjing Panda Electronics Company Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of buildings.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments and interpretations effective in 2008

• HKAS 39	Financial instruments: Recognition and measurement
• HK(IFRIC) — Int 11	Group and treasury share transactions
• HK(IFRIC) — Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

(b) Interpretations effective in 2008 but not relevant to the Group

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

• HK(IFRIC) — Int 12	Service Concession arrangements

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

• HKFRS 8	Operating segments
• HKAS 1 (Revised)	Presentation of financial statements
• HKAS 23 (Revised)	Borrowing costs
• HKAS 27 (Revised)	Consolidated and separate financial statements

HKAS 32 (Amendment)	Financial instruments: Presentation and HKAS 1 (Amendment), Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation
HKFRS 1 (Amendment)	First time adoption of HKFRS and HKAS 27 Consolidated and separate financial statements
HKFRS 2 (Amendment)	Share-based payment
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation
HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (Amendment)	Employee benefits
HKAS 23 (Amendment)	Borrowing costs
HKAS 28 (Amendment)	Investments in associates (and consequential amendments to HKAS 32 Financial instruments: Presentation and HKFRS 7, Financial instruments: Disclosures)
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, First-time adoption)

There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible hedged items
HK(IFRIC) — Int 13	Customer loyalty programmes
HK(IFRIC) — Int 15	Agreements for construction of real estates
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners'
HKAS 16 (Amendment)	Property, plant and equipment (and consequential amendment to HKAS 7, Statement of cash flows)
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 28 (Amendment)	Investments in associates (and consequential amendments to HKAS 32, Financial Instruments: Presentation and HKFRS 7 Financial Instruments: Disclosures)
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies
HKAS 31 (Amendment)	Interests in joint ventures (and consequential amendments to HKAS 32, Financial Instruments: Presentation and HKFRS 7, Financial Instruments: Disclosures)
HKAS 38 (Amendment)	Intangible assets
HKAS 40 (Amendment)	Investment property (and consequential amendments to HKAS 16)
HKAS 41 (Amendment)	Agriculture

2. Turnover

Turnover represents the invoiced value of goods sold and services provided to outside customers, net of value-added taxes and discounts.

3. Other Income

	2008	2007
	RMB'000	*RMB'000*
Rental income	**5,889**	5,877
Technology licence income	**—**	4,642
Written off of trade and other payable	**4,580**	—
Gain on disposal of an associate	**—**	1,937
Government subsidies	**21,097**	3,038
Compensation income	**—**	5,200
Sundry income	**1,753**	1,258
	33,319	21,952

4. Finance income and costs

	2008	2007
	RMB'000	*RMB'000*
Interest expense:		
— Bank and other borrowings wholly repayable within five years	**(52,939)**	(56,072)
— Finance lease interest	**(1,517)**	(2,382)
Finance costs	**(54,456)**	(58,454)
Finance income		
— Interest income on short-term deposits	**9,692**	3,413
Net finance costs	**(44,764)**	(55,041)

5. Expenses by nature

	2008	2007
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**37,365**	57,804
Raw materials as consumables used	**559,964**	500,559
Depreciation of property, plant and equipment	**40,452**	43,095
Amortisation of land use rights	**1,111**	762
Impairment loss/(reversed) on		
— Trade receivable	**7,169**	4,417
— Other receivables	**(11,008)**	38,295
— Amounts due from related companies	**6,361**	5,862
Impairment loss on property, plant and equipment	**2,031**	—
Research and development expenses	**16,770**	33,316
Staff costs (excluding directors' and supervisors' emoluments)		
Salaries, bonuses and allowances	**201,340**	57,285
Retirement benefit scheme contributions	**26,343**	8,945
Auditors' remuneration	**1,850**	2,021
Operating lease rentals in respect of land and buildings	**18,817**	3,386
Gain on disposal of property, plant and equipment	**(852)**	(2,788)
Others	**355,696**	329,006
Total cost of sales, distribution costs and administrative expenses	**1,263,409**	1,081,965

6. Income tax expense

(a) Income tax expense in the consolidated income statement represents:

	2008	2007
	RMB'000	*RMB'000*
Current tax		
— PRC enterprise income tax	**6,688**	7,869
Deferred tax		
— attributable to the origination and reversal of temporary differences	**(606)**	(6,590)
— resulting from a change in tax rate	**(86)**	1,386
	(692)	(5,204)
	5,996	2,665

(b) The taxation charge for the year can be reconciled to the accounting profit as follows:

	2008	2007
	RMB'000	*RMB'000*
Profit before income tax	**44,224**	122,476
Tax calculated at the statutory PRC tax rate of 25% (2007: 33%)	**11,056**	40,417
Exemption/reduction of income tax under preferential tax treatment	**(6,762)**	(6,818)
Tax effect of:		
Share of results of associates	**(31,735)**	(81,644)
Income not subject to tax	**(2,274)**	(6,085)
Expenses not deductible for tax purposes	**32,003**	11,054
Deferred tax benefits arising from tax losses not recognised	**5,819**	53,506
Effect of change in tax rate	**(86)**	1,386
Utilisation of previously unrecognised tax losses	**(1,446)**	(4,706)
Recognition of deferred income tax previously unrecognised	**(235)**	(4,562)
Others	**(344)**	117
Tax charge	**5,996**	2,665

7. Earnings per share

The calculation of the earnings per share is based on profit attributable to equity holders of the Company of RMB36,626,000 (2007: RMB111,995,000) and 655,015,000 shares in issue throughout 2008 and 2007.

No diluted earnings per share for the years ended 31 December 2008 and 2007 has been presented as there were no dilutive potential ordinary shares in issue as at 31 December 2008 and 2007.

8. Dividend

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2008 (2007: RMB52,401,000).

9. Trade and bills receivables

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**230,167**	114,339
Bills receivable	**3,982**	2,132
Less: Provision for bad and doubtful debts	**(19,938)**	(12,997)
	214,211	103,474

(a) The carrying amounts of the trade and bills receivables approximate to their fair values.

(b) The Group allows a credit period ranging from 30 to 180 days to its trade customers.

(c) The following is the ageing analysis of trade and bills receivables net of provision for bad and doubtful debts as at 31 December 2008 and 2007:

	2008	2007
	RMB'000	*RMB'000*
Within 1 year	**208,653**	98,165
1 to 2 years	**5,036**	4,038
2 to 3 years	**310**	913
Over 3 years	**212**	358
	214,211	103,474

(d) Ageing analysis of trade receivables past due but not impaired is as follows:

	2008	2007
	RMB'000	*RMB'000*
Up to 3 months	**5,944**	2,871
Over 3 months	**3,289**	1,589
	9,233	4,460

(e) The movements in the provision for bad and doubtful debts during the year, were as follows:

	2008	2007
	RMB'000	*RMB'000*
At beginning of the year	**12,997**	19,663
Impairment loss recognised/(reversed)	**7,169**	4,417
Uncollectible amounts written off	**(228)**	(11,083)
At end of the year	**19,938**	12,997

(f) The carrying amounts of trade and bills receivables were denominated in the following currencies:

	2008	2007
	RMB'000	*RMB'000*
RMB	**201,223**	110,856
USD	**32,926**	5,615
	234,149	116,471

10. Trade payables

The following is an ageing analysis of trade payables as at 31 December 2008:

	2008	2007
	RMB'000	*RMB'000*
Within 1 year	**151,906**	129,080
1 to 2 years	**16,618**	12,653
2 to 3 years	**2,436**	11,450
Over 3 years	**18,291**	8,940
	189,251	162,123

The carrying amounts of trade payables approximate to their fair values and they were denominated in the following currencies:

	2008	2007
	RMB'000	*RMB'000*
RMB	**186,727**	158,984
USD	**2,524**	3,139
	189,251	162,123

3.2 Prepared in accordance with the PRC Accounting Standards for Business Enterprises

3.2.1 Principal accounting data

Unit: RMB'000

	2008	2007 After the adjustment	2007 Before the adjustment	Percentage increase/ (decrease) over last year (%)
Operating income	**1,131,037.17**	1,009,935.66	1,009,935.66	11.99
Total profit	**44,799.43**	121,419.24	103,505.90	(63.10)
Net profit attributable to shareholders of the Company	**37,201.26**	107,006.05	89,092.71	(65.23)
Net profit attributable to shareholders of the Company after extraordinary items	**17,929.68**	109,597.93	91,684.59	(83.64)
Net cash flow from operating activities	**(140,967.52)**	(32,080.70)	(32,080.70)	(339.42)

	As of the end of 2008	As of the end of 2007 After the adjustment	As of the end of 2007 Before the adjustment	Percentage increase/ (decrease) over last year (%)
Total assets	**2,574,554.12**	2,643,294.81	2,589,635.75	(2.60)
Shareholders' equity	**1,493,301.42**	1,491,349.10	1,437,690.04	0.13

3.2.2 Key financial indicators

Unit: RMB

	2008	2007 After the adjustment	2007 Before adjustment	Percentage increase/ (decrease) over last year (%)
Basic earnings per share	**0.06**	0.16	0.14	(65.23)
Diluted earnings per share	**0.06**	0.16	0.14	(65.23)
Basic earnings per share after extraordinary items	**0.03**	0.17	0.14	(83.64)
Fully diluted rate of return on net assets (%)	**2.49**	7.18	6.20	Decreased by 4.69 percentage points
Weighted average rate of return on net assets (%)	**2.48**	7.44	6.40	Decreased by 4.96 percentage points
Fully diluted rate of return on net assets after extraordinary items (%)	**1.20**	7.35	6.38	Decreased by 6.15 percentage points
Weighted average rate of return on net assets after extraordinary items (%)	**1.20**	7.92	6.58	Decreased by 6.72 percentage points
Net cash flow from operating activities per share	**(0.22)**	(0.05)	(0.05)	(339.42)

	As of the end of 2008	As of the end of 2007 After the adjustment	Before adjustment	Percentage increase/ (decrease) over last year (%)
Net assets attributable to shareholders of the Company per share	**2.28**	2.28	2.19	0.13

Note: The total share capital of the Company remains unchanged in 2008.

3.2.3 Profit/loss from non-operating items

Unit: RMB'000

Items of extraordinary profit and loss	**Amount**
Gains and losses from disposal of non-current assets	851.59
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to gains and losses for the period	19,276.58
Debt restructuring profit and loss	4,579.59
Other non-operating net income and expenses other than the aforesaid items	(1,311.61)
Impact on enterprise income tax	(2,170.10)
Net extraordinary items attributable to minority shareholders	(1,954.47)
Total	19,271.58

3.3 Differences between the net profit of the Company prepared under the domestic and overseas accounting standards

Description of differences	2008	2007
Profit attributable to shareholders per financial statements prepared under PRC accounting standards	**37,201**	107,006
Amortization of unrecognized intangible assets	**(575)**	200
Deferred tax assets recognised as prior year adjustment	**—**	4,562
Share of results of associates	**—**	601
Minority interests	**—**	(629)
Others	**—**	255
Profit attributable to shareholders per financial statements prepared under Hong Kong Financial Reporting Standards	**36,626**	111,995

4. CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

4.1.1 Changes in share capital

Unit: Shares

	Before the change		Increase/(decrease) from the change					After the change	
	Amount	Percentage (%)	Newly Issued Shares	Bonus Issue	Transfer	Others	Sub-total	Amount	Percentage (%)
I. Shares subject to trading moratorium									
1. State-owned legal person shares	334,715,000	51.10				(65,501,500)	(65,501,500)	269,213,500	41.10
II. Shares not subject to trading moratorium									
1. Renminbi ordinary shares	78,300,000	11.95				65,501,500	65,501,500	143,801,500	21.95
2. Overseas listed foreign shares	242,000,000	36.95						242,000,000	36.95
III. Total number of shares	655,015,000	100				0	0	655,015,000	100

Notes: (1) During the reporting period, there is no change in the total number of the Company's shares and the shareholding structure. The Company did not repurchase, sell or redeem its listed securities.

(2) During the reporting period, the Company, for the first time, arranged the listing of circulating shares subject to trading moratorium (limited to the shares involved in the share reform scheme) held by Panda Electronics Group Limited ("PEGL"). The number of circulating shares subject to trading moratorium listed amounted to 65,501,500 shares; and the listing of shares commenced on 12 September 2008.

(Details were set out in the relevant announcements published in China Securities Journal, Shanghai Securities News and websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 9 September 2008.)

4.1.2 Changes of Shares subject to trading moratorium

Name of Shareholder	Number of shares subject to trading moratorium as at the beginning of the year	Number of shares released over the year	Increase in numbers of shares subject to trading moratorium over the year	Number of shares subject to trading moratorium as at the end of the year	Reason of trading moratorium	Date of release of trading moratorium
PEGL	334,715,000	65,501,500	0	269,213,500	Share Segregation Reform	11 September 2009
Total	334,715,000	65,501,500	0	269,213,500		

4.2 Shareholders

(For the year ended 31 December 2008)

Of the total number of 25,129 shareholders, 25,071 were holders of A Shares and 58 were holders of H Shares.

(A) Details of the top ten shareholders

Unit: Shares

Name of shareholders	Type of shareholders (State-owned or foreign shareholders)	Percentage of shareholding (%)	Total number of shares held	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
Panda Electronics Group Limited ("PEGL")	State-owned shareholder	51.10	334,715,000	269,213,500	67,350,000 shares were pledged, 92,815,000 shares were judicially frozen and 100,000,000 shares were both pledged and judicially frozen *(Note 1)*
HKSCC (Nominees) Limited	Foreign Shareholder	36.73	240,607,599	0	Unknown *(Note 2)*
Chen Boyu 陳伯玉	Public Shareholder	0.412	2,695,800	0	Unknown
Huang Li 黃　莉	Public Shareholder	0.156	1,020,490	0	Unknown
Zeng Hong 曾　鴻	Public Shareholder	0.155	1,017,100	0	Unknown
Huang Xueliang 黃學良	Public Shareholder	0.096	630,370	0	Unknown
Chen Chaohui 陳朝暉	Public Shareholder	0.090	587,220	0	Unknown
Chen Cuimei 陳翠枚	Public Shareholder	0.083	544,800	0	Unknown
Gong Fei 龔　飛	Public Shareholder	0.083	543,722	0	Unknown
Yu Hongyang 于弘洋	Public Shareholder	0.074	483,700	0	Unknown

(B) Details of the top ten holders of shares not subject to trading moratorium

Name of shareholders	Number of shares held not subject to trading moratorium	Class of shares
HKSCC (Nominees) Limited	240,607,599	H *(Note 2)*
PEGL	65,501,500	A
Chen Boyu 陳伯玉	2,695,800	A
Huang Li 黃　莉	1,020,490	A
Zeng Hong 曾　鴻	1,017,100	A
Huang Xueliang 黃學良	630,370	A
Chen Chaohui 陳朝暉	587,220	A
Chen Cuimei 陳翠枚	544,800	A
Gong Fei 龔　飛	543,722	A
Yu Hongyang 于弘洋	483,700	A

Description of the connected relationship aforesaid shareholders	There is no connected relationship or party acting in concert between PEGL. The Company is not aware of any connected relationship or party acting in concert among.

Notes:

(1) Among the shareholders named above, PEGL held 334,715,000 shares on behalf of the state, representing 51.10% of the issued share capital of the Company, which were circulating shares subject to trading moratorium (including 269,213,500 circulating shares subject to trading moratorium and 65,501,500 circulating shares not subject to trading moratorium), among the shares held by PEGL, 67,350,000 shares have been pledged, 92,815,000 shares have been judicially frozen, and 100,000,000 shares have been both pledged and judicially frozen.

(2) HKSCC (Nominees) Limited held 240,607,599 H Shares, representing 36.73% of the issued share capital of the Company, on behalf of a number of clients. The Company is not aware of any individual client holding more than 5% of share capital issued by the Company.

4.3 Information of the controlling shareholders and the ultimate controllers of the Company

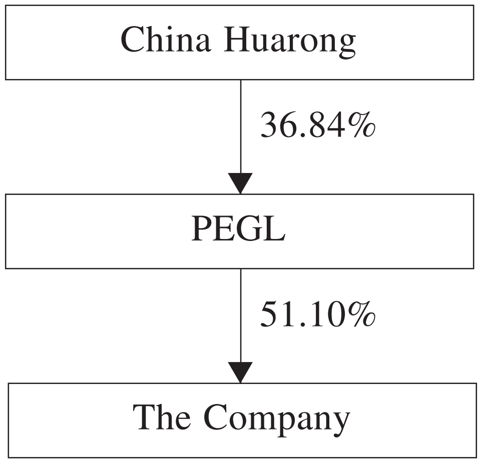
4.3.1 During the reporting period, there was no change in the controlling shareholder and the ultimate controller of the Company, which were still PEGL and 中國華融資產管理公司 (China Huarong Assets Management Company) respectively.

4.3.2 Details of the controlling shareholder and ultimate controller of the Company

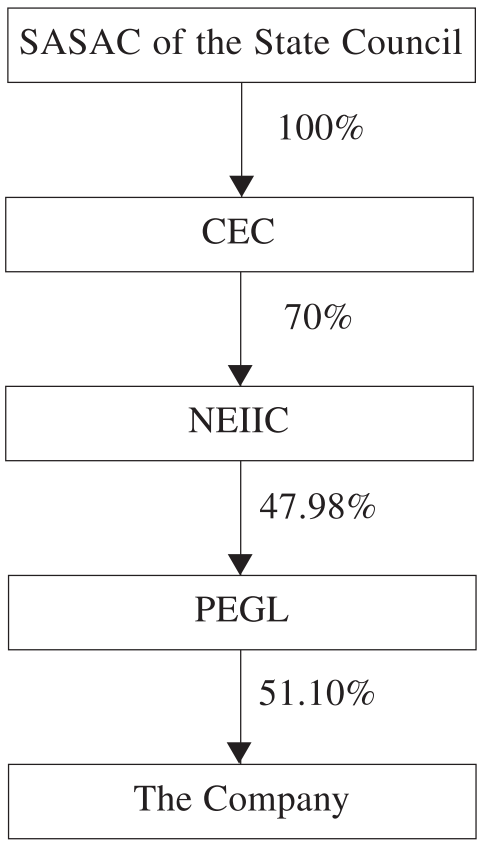
1. PEGL held 334,715,000 shares of the Company, representing 51.10% of the issued share capital of the Company, including 269,213,500 circulating shares subject to trading moratorium and 65,501,500 circulating shares not subject to trading moratorium. The predecessor of PEGL was established in 1936, which was converted into a limited company upon approval by the Nanjing Municipal Government on 5 July 1999 and subsequently completed the conversion of indebtedness into equity interests on 4 June 2003. The registered capital of PEGL is RMB1,266,060,000 and its shareholders include 中國華融資產管理公司 (China Huarong Assets Management Company) ("China Huarong"), representing 36.84% of the share capital, 南京新港開發總公司 (Nanjing Xingang Development Corporation), representing 22.07% of the share capital, 江蘇省國信資產管理集團有限公司 (Jiangsu International Trust and Investment Corporation), representing 21.59% of the share capital, 中國建設銀行股份有限公司 (China Construction Bank Corporation), representing 8.21% of the share capital, 中國長城資產管理公司 (China Great Wall Asset Management Corporation), representing 6.31% of the share capital, 南京市國有資產經營(控股)有限公司(Nanjing Municipal State-owned Assets Operation (Holding) Company), representing 4.32% of the share capital, and 中國信達資產管理公司 (China Cinda Assets Management Company), representing 0.66% of the share capital. The legal representative was Mr. Li Anjian. PEGL engages in the development, manufacture and sales of telecommunication equipment, computer and other electronic equipment, electrical machinery and apparatus, as well as selling and providing technical services for products developed and produced by the Company, etc. Of the shares held by PEGL, 67,350,000 shares were pledged, 92,815,000 were judicial frozen, and 100,000,000 were both pledged and judicial frozen.

2. China Huarong, the ultimate controller of the Company, was established on 1 November 1999, with a registered capital of RMB10 billion. Its legal representative is Ding Zhongchi. Its principal operations are acquisition and operation of the non-performing assets disposed of by Industrial and Commercial Bank of China, demand for the payment of debt, re-allocation, transfer and sales of assets, debt restructure and corporate restructure, debt-equity swap and phase by phase shareholdings, securitization of assets and other operations approved by financial regulatory authorities. It holds 36.84% of shares in PEGL through debt-equity swap.

4.3.3 Controlling relationship between the Company and the ultimate controller is as follows:



Note: During the reporting period, Nanjing Electronics Information Industrial Corporation (南京中電熊猫信息產業集團有限公司) ("NEIIC"), a company jointly invested and established by Nanjing State-owned Assets Supervision and Administration Commission of the PRC ("Nanjing SASAC"), Jiangsu Provincial Guo Xin Asset Management Group Ltd (江蘇省國信資產管理集團有限公司) ("Guo Xin Group") and China Electronics Corporation (中國電子信息產業集團有限公司) ("CEC") (of which CEC accounts for 70%, Nanjing SASAC and Guo Xin Group account for 15% each), progressed with the relevant approval procedures for the changes in equity interests pursuant to the regulations. Upon completion of the relevant approval procedures for the changes in equity interests, NEIIC will hold 47.98% equity interest in PEGL, hence becoming the largest shareholder of PEGL. By then, the diagram of property rights and controlling relationship between the Company and the de facto controller shall become:



5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in number of shares of the Company held by Directors, Supervisors and Senior Management and their remunerations

Name	Position	Sex	Age	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Reason for the change	Total remuneration received from the Company during the reporting period *(RMB0'000)*	Whether received out of shareholders or other connected parties
Li Anjian	Chairman, General Manager	M	55	2007.06.12-2010.06.12	0	0	—	30	No
Xu Guofei	Non-executive Director, Vice Chairman	M	46	2007.06.12-2010.06.12	2,546	2,546	—	30	No
Liu Ailian	Non-executive Director	F	57	2007.06.12-2010.06.12	0	0	—	24	No
Zhu Lifeng	Non-executive Director	M	44	2007.06.12-2010.06.12	4,378	4,378	—	24	No
Shi Qiusheng	Non-executive Director	M	49	2007.06.12-2010.06.12	5,940	5,940	—	24	No
Lu Qing	Non-executive Director	M	43	2007.06.12-2010.06.12	0	0	—	24	No
Cai Lianglin	Independent Non-executive Director	M	67	2007.06.12-2010.06.12	0	0	—	0	No
Tang Yousong	Independent Non-executive Director	M	57	2007.06.12-2010.06.12	0	0	—	0	No
Ma Chung Lai, Lawrence	Independent Non-executive Director	M	54	2007.06.12-2010.06.12	0	0	—	7.06 *(Note 3)*	No
Zhang Zhengping	Chairman of the Supervisory Committee	F	52	2007.06.12-2010.06.12	4,648	4,648	—	24	No
Tang Min	Supervisor	F	51	2007.06.12-2010.06.12	0	0	—	12	No
Zhou Yuxin	Supervisor	M	44	2008.10.28-2010.06.12	0	0	—	2 *(Note 1)*	No
Sun Suhua	Independent Supervisor	F	66	2007.06.12-2010.06.12	0	0	—	0	No
Wang Fei	Independent Supervisor	M	49	2008.12.31-2010.06.12	0	0	—	0	No
Liu Kun	Deputy General Manager	M	42	2007.06.12-2010.06.12	0	0	—	20	No
Shen Jianlong	Chief Accountant, Secretary to the Board	M	45	2007.06.12-2010.06.12	0	0	—	20	No
Xia Dechuan	Deputy General Manager	M	38	2008.06.30-2010.06.12	0	0	—	10 *(Note 2)*	No
Total					17,512	17,512	—	251.06 *(Note 4)*	

Notes: (1) Supervisor Mr. Zhou Yuxin took office in October 2008 and received the remuneration for November and December from the Company. Original Supervisor Mr. Zhong Youxiang resigned in October 2008 and received the remuneration for January to October 2008 of RMB100,000 from the Company.

(2) Deputy General Manager Mr. Xia Dechuan took office in June 2008 and original Deputy General Manager Mr. Wang Hongjin resigned in June 2008. Both of them received the remuneration for a half of the year of RMB100,000 from the Company. Original Deputy General Manager Mr. Wu Liulin resigned in September 2008 and received the remuneration for January to September 2008 of RMB150,000 from the Company.

(3) Independent Non-executive Director Mr. Ma Chung Lai, Lawrence received a remuneration of HK$80,000 (based on the conversion of HK$1=RMB0.8819 as at 31 December 2008).

(4) During the reporting period, the total remuneration of Directors, Supervisors and senior management staff was RMB2,860,600 (including remuneration received by resigned staff).

6. REPORT OF THE BOARD

6.1 Management discussion and analysis

6.1.1 Principal operating results of the Company during the reporting period

1. Principal operations of the Company

The principal operations of the Company are development, manufacturing and sales of satellite communication products, mobile telecommunication products, electromechanical products and electronic information products and electronic manufacturing business.

In 2008, the Company further implemented the philosophy of scientific development, carried on innovation for growth, deepened its internal reform, enhanced its industrial structure, strengthened operation management, improved the internal control system, enhanced its ability to defend operating risks and improved operating quality, thus maintaining the smooth growth momentum. It made great strides in principal businesses such as satellite communication, electromechanical, electronic manufacturing and electronic information products. Meanwhile, the Company paid great attention to cooperation and communication with joint ventures, and helped finding solutions for joint ventures' rapid development. ENC, being a major joint venture, continued to achieve sustainable development to ensure stable income generated from the Company's investments. Due to the changing market conditions, the net profit of BMC substantially decreased and hence affected the Company's investment income.

According to the PRC Accounting Standards for Business Enterprises, revenue from operations of the Company for the year amounted to RMB1,131,037,200, representing an increase of 11.99% as compared with that of last year; profit of operations for the year amounted to RMB19,582,600, representing a decrease of 85.37% as compared with that of last year; net profit amounted to RMB37,201,300, representing a decrease of 65.23% as compared with that of last year. Under the Hong Kong Financial Reporting Standards ("HKFRS"), revenue from principal operations of the Company for the year amounted to RMB1,120,000,000, representing an increase of 13% as compared with that of last year; profit of principal operations amounted to RMB89,360,000, representing a decrease of 39% as compared with that of last year; net profit attributable to shareholders amounted to RMB36,630,000, representing a decrease of 67% as compared with that of last year.

2. Operation of the principal controlling and investee companies

(1) Nanjing Ericsson Panda Communication Co., Ltd. ("ENC")

ENC is held as to 27% by the Company, 25% by Telefonaktiebolaget L.M. Ericsson ("Ericsson"), 26% by Ericsson (China) Company Limited ("Ericsson (China)"), 20% by China PTIC Information Corporation ("China PTIC"), and 2% by Hong Kong Yung Shing Enterprise Company ("Yung Shing"). ENC is mainly engaged in producing products, such as GSM, GPRS, CDMA mobile telecommunication system products and network communication systems. ENC is one of the supply pivots for Ericsson in the world, the largest supplier of GSM, GPRS equipments in China and a major supplier of CDMA equipments. In 2008, ENC took initiative to explore markets, constantly enhanced the competitiveness of its products, seized opportunities from Beijing Olympic Games to expand market share, and successfully secured growth in domestic sales and exports. It achieved sustainable and steady growth in its production and operation.

Under the International Accounting Standards, operating revenue of ENC for 2008 amounted to RMB16,619,000,000, representing an increase of 61.65% as compared to the corresponding period of last year; net profits amounted to RMB601,000,000, representing an increase of 46.49% as compared to the corresponding period of last year.

(2) Beijing SE Putian Mobile Communication Co., Ltd. ("BMC")

BMC is held as to 20% by the Company, 51% by Sony Ericsson Mobile Communication Limited ("Sony Ericsson"), 27% by China Poterio Co., Ltd. and 2% by Hong Kong Yung Shing. BMC is mainly engaged in mobile terminals (mobile phones) under the brand of Sony Ericsson and is the principal production base and supply centre of Sony Ericsson mobiles.

Actively coping with the global financial crisis, BMC implemented plan revert, strengthened its management, expanded income while cutting expenditures, lowering cost, and minimizing the impact from external adverse factors to ensure the consistent performance of operating results in 2008. However, due to the impact of the global recession and changing market conditions, a substantial decrease was recorded in the net profit.

Under the International Accounting Standards, operating revenue of BMC for 2008 amounted to RMB28,327,000,000, representing a decrease of 13.48% as compared to the corresponding period of last year; net profits amounted to RMB464,000,000, representing a decrease of 39.23% as compared to the corresponding period of last year.

(3) Hua Fei Color Display Systems Company Limited ("Hua Fei Company")

Hua Fei Company is held as to 25% by the Company, 20% by Nanjing Hua Dong Electronics Information Technology Holdings Limited and 55% by LG. Displays International Led. Its principal operations include development, design and manufacture of colour image tubes, colour monitor tubes and other colour display system products, their spare parts and materials and related electronic products, as well as sales of self-produced products.

Under the PRC Accounting Standards for Business Enterprises, sales income for 2008 amounted to RMB2,102,000,000, representing a decrease of 21.84% as compared to the corresponding period of last year. It continued to suffer a loss of RMB299,000,000 during the reporting period.

3. Major suppliers and consumers

As at 31 December 2008, the aggregate turnover of the five major customers of the Company accounted for 45.33% of the turnover of the Company for the year, of which turnover from the largest customer accounted for 14.36% of turnover of the Company for the year.

The aggregate amount of purchase from the five major suppliers of the Company accounted for 19.47% of the total amount of purchase made by the Company for the year, of which the purchasing amount of the largest supplier accounted for 6.18% of the total amount of purchase made by the Company for the year.

During the year, none of the Directors, supervisors and their associates or shareholders had interests in the share capital of the Company's suppliers or customers mentioned above.

4. Outlook of the Company's future development

(1) Development trend of the business which the Company is in and the market pattern which the Company is facing

After business structure adjustment and business layout optimization in recent years, the Company has primarily set its development direction towards satellite communication, mobile communication, electromechanical business, electronic information, electronic manufacturing and gradually developing intelligent and green products. The electronics industry covers a wide range of uses. It develops very rapidly and new products are constantly emerging.

The market has vast potential. Satellite communication has already become an emerging business and is a new economic growing point. The fusion of satellite communication with the Internet and land mobile network is taking satellite communication into a new realm. It serves as a supplement and backup for the national communication backbone network, playing an important role in emergency situations such as natural disasters, by ensuring the smooth operation of the national communication network. Mobile communication is gaining importance in the way society communicates, and has been the largest pillar and a strong growth driver in the telecommunication industry. In particular, the current attention magnet 3G has become the engine of telecom around the world. As China issues its 3G licenses, a telecom industry chain composing of 3G network construction, terminal equipments manufacture, operation and information servicing is going to take shape. This will in turn increase domestic demand and stimulate the economy. Electromechanical integration which utilises mechanics, electronics, optics, control tech, computer and information, is the global development trend in the research of neotechnic products. Its development and improvement depends on and contributes to the development of the individual technologies. Currently, it is on a development track of AI, network, green and system. The development of electronic information industry is evolving from traditional stimulation toward digital, network and AI. Tremendous demand from rising needs for information products and network services provides room for further development in the information product industry. Electronic manufacturing has become a pillar of the national economy and will continue to grow at a remarkable speed over the next few years.

As electronic and information products rely heavily on technology, the life-span of such products is short, due to the constantly changing market trends and fierce competition among products. Regarding its future developments, the Company will face both excellent opportunities and huge challenges.

(2) Development strategy of the Company

The overall development strategy of the Company is to effectively employ its resources by technological research, so as to achieve further innovation in its business and gradually develop the Company into a R&D and production base of satellite communication. At the same time, the Company aims to enhance its competitiveness of the country's electromechanical industry, information technology business and electronic manufacturing industry, forging the Company onwards to become a comprehensive and international high technology enterprise.

(3) Risk factors

Due to the changes in the macro-economy and the possible long term impact of the global financial crisis on China's economy, there are increased uncertainties and risks to the economic development of the Company. We should therefore conduct systematic analysis in order to increase the awareness of the opportunities and risks that might arise, and to facilitate an efficient response to it.

Three main risk factors have been identified. First of all, despite the Government's domestic stimulus package and the relaxation of fiscal and monetary policy have provided a favorable environment to the Company, the Company still faces the ongoing impacts and potential risks due to the global financial crisis. Secondly, as the Company's core business does not stand out, its competitiveness is comparatively weak and it is facing market risks in the increasingly fierce market. Thirdly, as technology is pivotal in electronic production, the Company faces technological risks due to electronic products becoming old and fading out rapidly.

(4) Development plans in the forth-coming year

2009 is a key year to the Company's rapid development. The Company will fully implement the philosophy of scientific development, to be open-minded and innovative in order to seize opportunities and deal with challenges. By ensuring sustainable growth, great development will be achieved in good time. The main tasks in the forth-coming year are as follows:

(i) to strengthen internal reforms, adjust enterprise structures, optimize allocation of resources and enhance fundamental management, so as to upgrade the principal operations;

(ii) to enhance scientific research, complete research innovation system and incentive mechanism, so as to accelerate transformation of technological outcomes and replacement of products with new models;

(iii) to insist on market orientation, strengthen market construction, seize the opportunity brought by domestic demand stimulus and open up new sales channels, so as to increase market competitiveness;

(iv) to take proper measures to train and introduce high-end research talents and management personnel, so as to meet the demand of talent for the Company's development;

(v) to reinforce international collaboration, continue to focus on strategic cooperation with joint-ventures and partners, further reinforce management service of joint-venture corporations and facilitate continued rapid growth of joint-venture corporations, so as to increase income from investment.

(5) The target operating revenue of the Company in 2009 is RMB1,130,000,000. The operating expenses during the period is expected to be RMB299,000,000 or below, out of which sales cost to be at RMB33,000,000, management cost RMB208,000,000 and financial cost RMB58,000,000.

6.1.2 Analysis on financial status of the Company

1. Financial status

The Company had a satisfactory financial status. Changes in major financial indices according to the PRC Accounting Standards for Business Enterprises are as follows:

Unit: RMB'000

Item	**2008**	2007	Increase/ (decrease) (%)	Main Reasons
Bills receivable	**3,982.23**	2,131.70	86.81	Increase in bills received in ordinary course of business
Accounts receivable	**231,574.56**	159,234.16	45.43	Increase in sales revenue for the year and longer credit term for payment
Other receivables	**22,546.94**	57,076.37	(60.50)	Collection of RMB45,000,000 of receivables under fund raising project for buildings in the year

Construction in progress	**23,099.50**	10,257.70	125.19	Certain uncompleted infrastructure projects
Salaries payable	**44,944.23**	8,601.85	422.49	Accrued expenses for retired staff under the State's policy
Taxes Payable	**25,246.34**	40,170.92	(37.15)	Payment of city maintenance construction tax outstanding in previous years

Item	**2008**	2007	Increase/ (decrease) (%)	Main Reasons
Long term payables	**3,546.06**	7,404.86	(52.11)	Due payment of obligations of finance lease
Minority interests	**12,141.27**	46,818.87	(74.07)	Acquisition of minority interests in certain subsidiaries
Sale expenses	**26,501.47**	18,282.26	44.96	Increase in revenue for the year
Total profit	**44,799.43**	121,419.24	(63.10)	Decrease in investment income and accrued expenses for retired staff in the year
Minority interests	**1,601.79**	7,186.18	(77.71)	Acquisition of minority interests in certain subsidiaries

2. Liquidity of capital

In accordance with the Hong Kong Financial Reporting Standards, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 41.5%, RMB20,000,000, 0.98 and 0.66 respectively as at 31 December 2008 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB380,000,000 as at 31 December 2008 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans amounted to RMB590,000,000 as at 31 December 2008 as shown in the consolidated financial statements of the Company and basic interest rate per annum during the reporting period, from January to September was 7.47%, from October to December was between 6.93% to 5.58% (the basic interest rate per annum was 5.31% since 23 December 2008). The Board believes that the Company can maintain or enlarge its existing bank facilities to meet various financial obligations.

6.1.3 Adjustment of relevant items in the balance sheet of the Company in early 2008 arising from adoption of the new PRC Accounting Standards for Business Enterprises

As a dual-listing A-H shares public company, the Company made retrospective adjustments to the reconciliation of its A share and H share financial statements for 2008 in accordance with the "Accounting Standards for Business Enterprises Interpretation No. 2" issued by the Ministry of Finance on 7 August 2008 and the "Notice of the Ministry of Finance concerning Preparation of 2008 Annual Report in accordance with Accounting Standards" issued on 26 December 2008. Details of the adjustments are as follows:

1. Long-term Equity Investment

Adjustments were made to long-term equity investment under A share financial statements in accordance with "Accounting Standards for Business Enterprises Interpretation No. 2". Accordingly, long-term equity investment was increased by RMB53,659,059.15 and retained earnings were increased by RMB53,659,059.15 as at 1 January 2008.

2. Surplus Reserve

According to the adjustment to long-term equity investment in accordance with "Accounting Standards for Business Enterprises Interpretation No. 2", a further provision of RMB5,365,905.92 was made to surplus reserve as at 1 January 2008, while retained earnings were decreased by RMB5,365,905.92.

6.2 Principal operating income and segmental information classified by businesses or products (prepared under the PRC Accounting Standards for Business Enterprises)

Unit: RMB'000

Business or product	Principal operating income	Principal operating costs	Principal operating profit margin (%)	Revenues from principal operation increase/(decrease) from last year	Principal operating costs increase/(decrease) from last year	Principal operating profit margin increase/(decrease) from last year
Electronic manufacturing	403,082	355,788	11.73	31.40	40.00	(5.42)
Electronic information	338,442	300,397	11.24	21.40	25.69	(3.03)
Electromechanical	206,616	173,234	16.16	11.31	14.82	(2.57)
Satellite communications	130,800	119,918	8.32	(33.73)	(20.27)	(15.48)
Others	34,039	26,903	20.96	19.91	(1.37)	17.05
Total	1,112,979	976,239	12.29	11.64	18.81	(5.29)

6.3 Analysis of the geographical segments for the principal operations (prepared under the PRC Accounting Standards for Business Enterprises)

Unit: RMB'000

Geographical segment	Principal operating income	Principal operating income increase over last year (%)
Domestic	1,131,037.17	11.99
Overseas	0	0
Total	1,131,037.17	11.99

6.4 Investment of the Company

No funds were raised by the Company during the reporting period. For the year, the Company did not utilize any raised funds or continue any use thereof commencing from the previous periods. Neither alteration to projects nor material investment financed by other non-raised funds was made.

6.5 The Board's proposal on the profit appropriation or transfer and increase of capital reserve fund

After being audited by Vocation International Certified Public Accountants Co., Ltd. and UHY Vocation HK CPA Limited, the Company realized a net profit after tax of RMB37,201,260 in 2008 under the PRC Accounting Standards for Business Enterprises, and the Company realized net profit of RMB36,626,000 in 2008 under Hong Kong Financial Reporting Standards. In accordance with the PRC Accounting Standards for Business Enterprises, the undistributed profit of the Company for the year ended 31 December 2008 was RMB140,414,700. The Board resolved not to distribute profit for the year 2008 and would not capitalize capital reserve.

The aforesaid profit distribution proposal is subject to the shareholders' approval at the 2008 annual general meeting.

7. SIGNIFICANT EVENTS

7.1 During the Reporting Period, the Company did not have material litigation and arbitration.

7.2 On 5 November 2008, the Company entered into an equity transfer agreement with PEGL and Nanjing Panda Electronics Import and Export Company (the "Import & Export Company") in relation to the acquisition of equity interests in Nanjing Panda Technology Industrial Co., Ltd ("Panda Technology"). Pursuant to the agreement, the Company agreed to acquire 99% and 1% equity interests in Panda Technology from PEGL and the Import & Export Company respectively for an aggregate consideration of RMB121,000,000 (approximately HK$136,730,000). The Consideration shall be paid in cash by the Company to PEGL and the Import & Export Company within 30 days upon the signing of the agreement. Upon completion of the acquisition, the Company will hold 100% equity interest in Panda Technology.

The Board was of the opinion that the acquisition of equity interests in Panda Technology was made to meet the development of the Company's core business, reduce related party transactions, help the Company to unify industry layout and enhance its independence. It was beneficial to the Company's long term development and in the interest of the Company and the shareholders as a whole.

The transaction constitutes a connected transaction of the Company. The consideration was determined after arms' length negotiation between both parties on the basis of appraised assets value and conducted on normal commercial terms, and was fair and reasonable.

The transaction was approved by independent shareholders at the 2008 second EGM held on 31 December 2008.

(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News on 8 November 2008 and 5 January 2009, and on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 7 November 2008, 16 November 2008 and 31 December 2008)

During the reporting period, other than the aforesaid acquisition, the Company did not have other material asset acquisition, disposal or merger.

7.3 Connected transactions:

7.3.1 During the reporting period, other than the 2007-2009 New Continuing Connected Transactions of the Company (the continuing connected transactions conducted in the usual course of business on normal commercial terms) which had obtained independent shareholders' approval at the EGM held on 3 April 2007 and the connected transaction relating to the aforesaid acquisition of equity interests in Panda Technology, the Company did not have other material connected transactions and asset reorganization.

In 2008, the continuing connected transactions of the Company were entered into in the usual course of business and on normal commercial terms which were required for normal operation, and were audited by auditors. All connected transactions were confirmed by independent non-executive Directors.

7.3.2 During the reporting period, the transactions amount of sale of product and provision of service by the Company to related parties was RMB133,100,700, of which the connected transaction for sale of products and provision of services to the controlling shareholder and its subsidiaries amounted to RMB44,137,800; the transaction for purchase of products and acceptance of service from related parties amounted to RMB20,713,600.

7.3.3 During the reporting period, the actual amount of the provision of fund by the Company to related parties was RMB(32,000) and the balance was RMB1,736,200, amongst which the actual amount provided to the controlling shareholders and its subsidiaries was RMB0 and the balance was RMB0; the actual amount of the provision of fund by related parties to the Company was RMB6,395,600 and the balance was RMB4,104,100.

7.3.4 There were no non-operating funds supplied by the Company to its controlling shareholder PEGL.

7.4 During the reporting period, the Company had no entrustment, contracting and lease of assets from other companies nor any entrusted custody of funds.

7.5 Material guarantee

During the reporting period, the amount guaranteed by the Company for its subsidiaries amounted to RMB57,386,200 and the balance amounted to RMB52,386,200, the details of which are as follows:

As of 31 December 2008, the Company granted guarantees to bank loan of RMB1,000,000, bank acceptance bills of RMB11,953,600 and letter of credit of RMB3,866,000 to its controlling subsidiaries Nanjing Panda Information Industry Co., Ltd., bank loan of RMB17,000,000 and obligations under finance leases amounted to RMB3,085,000 to Nanjing Panda Hua Ge Electronic Plastic Co., Ltd., as well as bank loan of RMB5,000,000 and obligations under finance leases amounted to RMB10,481,600 to Nanjing Panda Electronic Manufacturing Company Limited.

The said guarantees totalling RMB52,386,200, representing 3.51% of the Company's net assets, are provided to controlling subsidiaries. The gearing ratio of the above subsidiaries receiving guarantees was below 70%.

The Company did not provide any guarantee to any independent third parties other than its subsidiaries, nor to any controlling shareholder, ultimate controller or its connected parties.

7.6 Undertakings of shareholders in the Share Segregation Reform and their performance:

In the process of the Share Segregation Reform, PEGL, the controlling shareholder of the Company undertook to comply with the requirements of relevant laws, regulations and rules and observe statutory commitments and obligations. In addition, PEGL also made the following special undertakings:

(1) PEGL would not trade or transfer any of the originally non-circulating shares it held which obtained listing status for 24 months from the date on which listing status was obtained.

(2) PEGL undertook not to increase the appropriation of the non-operating capital of the Company from the date of the implementation of Share Segregation Reform Proposal, and to settle the appropriation of the non-operating capital of the Company by the PEGL Group by the end of 2006 by means of cash repayment and using assets to discharge a debt.

(3) PEGL undertook to bear all the expenses arising from the Share Segregation Reform.

As at 11 September 2008, PEGL, the holder of shares of the Company subject to trading moratorium, had strictly fulfilled all the above undertaking.

During the reporting period, the Company, for the first time, arranged the listing of circulating shares subject to trading moratorium (limited to the shares involved in the share reform scheme) held by PEGL. Number of circulating shares subject to trading moratorium listed amounted to 65,501,500 shares. The date of listing of shares was 12 September 2008.

(Details were set out in the relevant announcements published in China Securities Journal and Shanghai Securities News on 9 September 2008, and the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 8 September 2008.)

7.7 Change of Auditors

At the Company's annual general meeting on 15 May 2008, the proposal for reappointment of Zhongrui Yuehua Certified Public Accountants Co., Ltd. and Shu Lun Pan Horwath Hong Kong CPA Limited as the PRC and international auditors of the Company for 2008 respectively was considered and approved.

At the 2008 second extraordinary general meeting on 31 December 2008, the proposal for appointment of Vocation International Certified Public Accountants Co., Ltd. and UHY Vocation HK CPA Limited as the PRC and international auditors of the Company for 2008 respectively was considered and approved.

(For details, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News and the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 23 and 25 January 2008, 20 February 2008, 14 November 2008, 31 December 2008 and 5 January 2009.)

Both Vocation International Certified Public Accountants Co., Ltd. and UHY Vocation HK CPA Limited were appointed for the first time to provide audit services to the Company.

Remuneration paid by the Company to the certified public accountants for their audit services for the annual report were aggregately RMB1,850,000 (2007: RMB2,020,900).

7.8 The Company, the Board and its Directors did not suffer any administrative penalty or public criticism by regulatory authorities during the reporting period.

7.9 During the reporting period, the Company did not hold any equities or securities issued by other listed companies and did not hold shares of unlisted financial enterprises.

7.10 Disclosure of the "Self-assessment Report on the Internal Control of the Company" ("Internal Control Report")

Please refer to the announcement dated 26 March 2009 published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange for the full text of the Internal Control Report.

No verification comments on the Internal Control Report of the Company have been made by the auditors.

7.11 Disclosure of the "Report on the Company's Fulfilment of Social Responsibility" ("Social Responsibility Report")

Please refer to the announcement dated 26 March 2009 published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange for the full text of the Social Responsibility Report.

7.12 Other Events

7.12.1 Tax Policies

The Company is registered in the High and New Technology Development Zone in Nanjing which is approved by the State Council as a national high and new technology zone. The Company has been approved by the Jiangsu Provincial Technological Commission as a high and new technology enterprise in 1995, which is entitled to the preferential enterprise income tax treatment of 15% under relevant regulations. The Company continued to be certified by the Jiangsu Provincial Science and Technology Bureau as a high and new technology enterprise in 2008, which is still entitled to the preferential enterprise income tax treatment of 15%.

7.12.2 Basic medical insurance for employees

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality (the "Regulations") and implemented a medical insurance scheme for its employees since 1 January 2001. The Company pays the premiums for such basic medical insurance scheme which are equivalent to 9% of the verified fee of all of the existing employees of the Company and provide subsidy to the employees whose medical expenses are covered under the medical scheme. The total allowance given in 2008 was less than RMB2.9 million. Save as the aforesaid premiums, the Company is not responsible for other medical expenses payable.

7.12.3 Corporate Governance

During the reporting period, the Company has adopted and endeavored to comply with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

(The relevant details, including but not limited to the Company's adoption of the code provisions will be set out in the section "Corporate Governance Report" in the 2008 Annual Report.)

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

During the reporting period, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to regulate dealings in the Company's securities by the Directors and Supervisors. Upon specific enquiries to all Directors and Supervisors by the Company, all Directors and Supervisors have complied with the Model Code.

7.12.4 Audit Committee

The Company has set up an Audit Committee in compliance with the requirements of Rule 3.21 of the Listing Rules. The Audit Committee has reviewed the interim financial report for 2008, the third quarterly financial report for 2008 and the audited annual financial report for 2008.

(Details are set out in section headed "Corporate Governance Report" in the 2008 Annual Report.)

8 REPORT OF SUPERVISORY COMMITTEE

During the reporting period, all the members of the Supervisory Committee of the Company have, in accordance with the provision of the Company Law, Securities Law, the Articles of Association of the Company, other state laws and rules of domestic and international securities regulatory bodies, based on the principles of acting in good faith, performed faithfully their duties prescribed in laws and regulations concerned and in the Articles of Association to aspire to protect the interests of the Company and its shareholders.

During the reporting period, the Supervisory Committee held four meetings and proposed several resolutions.

The Supervisory Committee is of the opinion that the operation of the Company is in accordance with the laws, the procedure of decision-making is legal. According to the requirement of China Securities and Regulatory Commission ("CSRC") and the Hong Kong Stock Exchange, the Company has established relevant international control system. None of the directors, management personnel were in breach of law, regulations and the Articles of Association or acted in a way that was detrimental to the interests of the Company.

The Supervisory Committee may regularly or irregularly examine the finance of the Company. The financial statements were audited by the international and domestic auditors who have submitted an unqualified audit report. The Supervisory Committee was of the opinion that the annual financial report of the Company truly reflected the financial conditions and operating results of the Company.

During the reporting period, the Company had not raised any fund for use, nor had it conducted any substantial acquisitions or disposed of any assets.

During the reporting period, on 5 November 2008, the Company entered into an equity transfer agreement with PEGL and Nanjing Panda Electronics Import and Export Company in relation to the acquisition of 100% equity interests in Nanjing Panda Technology Industrial Co., Ltd ("Panda Technology"). The transaction constitutes a connected transaction. The consideration was determined after arms' length negotiation between both parties on the basis of appraised assets value and conducted on normal commercial terms, and was fair and reasonable and in the interest of the Company and shareholders as a whole. The transaction was approved by independent shareholders at the 2008 second EGM held on 31 December 2008.

The 2007-2009 continuing connected transactions of the Company had obtained approval from independent shareholders. In the reporting period, the connected transactions of the Company were entered into in accordance with fair and reasonable principles and were confirmed by the Independent Directors of the Company.

9 FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

9.1 Audit opinion

The financial report for the year of 2008 has been audited by Vocation International Certified Public Accountants Co., Ltd. who has prepared an unqualified auditors' report [(Tian Zhi Hu Shen Zi (2009) No.759)].

9.2 Financial statement

Consolidated Balance Sheet
2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Assets	31 December 2008	31 December 2007
Current assets:		
Currency funding	**383,654,043.46**	483,699,275.19
Trading financial assets	**—**	—
Bills receivable	**3,982,227.80**	2,131,704.70
Accounts receivable	**231,574,558.65**	159,234,159.78
Prepayments	**62,914,228.74**	51,028,779.49
Interest receivable	**—**	—
Other receivables	**22,546,938.93**	57,076,371.78
Stocks	**341,847,590.96**	305,991,561.56
Non-current assets falling due within one year	**—**	—
Other current assets	**—**	—
Total current assets	**1,046,519,588.54**	1,059,161,852.50

Non-current assets:		
Available-for sale financial assets	**—**	—
Held-to-maturity investments	**—**	—
Long-term receivables	**—**	—
Long-term equity investment	**937,585,276.41**	1,030,034,159.14
Investment properties	**—**	—
Fixed assets	**506,218,194.21**	489,982,056.01
Construction in progress	**23,099,502.20**	10,257,698.23
Construction supplies	**—**	—
Clearance of fixed assets	**—**	—
Biological assets for production	**—**	—
Gas assets	**—**	—
Intangible assets	**51,975,865.45**	44,556,461.90
Development assets	**—**	—
Goodwill	**—**	—
Long term deferred expenses	**3,205,958.49**	4,098,976.61
Deferred income tax assets	**5,949,730.33**	5,203,608.70
Other non-current assets	**—**	—
Total non-current assets	**1,528,034,527.09**	1,584,132,960.59
Total assets	**2,574,554,115.63**	2,643,294,813.09
Current liabilities		
Short term loans	**595,500,000.00**	657,304,600.00
Trading financial liabilities	**—**	—
Bills payable	**47,547,289.42**	54,029,931.78
Accounts payable	**202,664,303.95**	181,425,207.53
Advances from customers	**46,008,729.30**	49,445,588.77
Salaries payable	**44,944,231.10**	8,601,850.13
Taxes payable	**25,246,344.27**	40,170,918.76
Interest payable	**1,155,400.00**	1,306,732.50
Other payables	**93,331,520.70**	94,920,919.32
Non-current liabilities due within one year	**9,167,543.14**	10,516,236.20
Other current liabilities	**—**	—
Total liabilities	**1,065,565,361.88**	1,097,721,984.99

Non-current liabilities:		
Long term loans	**—**	—
Bonds payables	**—**	—
Long term payables	**3,546,064.37**	7,404,861.06
Specific payables	**—**	—
Accrued liabilities	**—**	—
Deferred income tax liabilities	**—**	—
Other non-current liabilities	**—**	—
Total non-current liabilities	**3,546,064.37**	7,404,861.06
Total liabilities	**1,069,111,426.25**	1,105,126,846.05
Shareholders' equity:		
Share capital	**655,015,000.00**	655,015,000.00
Capital reserve	**497,361,298.42**	480,209,034.37
Less: treasury stock	**—**	—
Surplus reserve	**200,510,421.29**	200,094,023.38
Undistributed profits	**140,414,701.05**	156,031,038.14
Discounted spread in foreign currency statement	**—**	—
Sub-total of equity attributable to shareholders of the parent company	**1,493,301,420.76**	1,491,349,095.89
Minority interests	**12,141,268.62**	46,818,871.15
Total shareholders' equity	**1,505,442,689.38**	1,538,167,967.04
Total liabilities and shareholders' equity	**2,574,554,115.63**	2,643,294,813.09

Consolidated Profit and Loss Statement

2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Items		2008	2007
1.	**Total operating income**	**1,131,037,172.79**	1,009,935,655.50
Include:	Operating income	**1,131,037,172.79**	1,009,935,655.50
2.	**Total operating cost**	**1,312,738,132.88**	1,124,510,135.77
Include:	Operating cost	**989,407,424.18**	835,578,728.39
	Business taxes and surcharge	**4,756,085.04**	5,378,267.58
	Selling expenses	**26,501,473.82**	18,282,260.22
	Administrative expenses	**207,561,960.72**	165,622,102.97
	Financial expenses	**48,699,363.35**	61,196,960.25
	Loss in assets impairment	**35,811,825.77**	38,451,816.36
Add:	Income from change in fair value (losses are represented by "-")	**—**	—
	Investment income (losses are represented by "-")	**201,283,518.47**	248,425,054.00
Include:	Investment income of associates and joint ventures	**—**	—

3.	**Operating profit**		
	(losses are represented by "-")	**19,582,558.38**	133,850,573.73
	Add: Non-operating income	**29,305,349.01**	9,496,291.64
	Less: Non-operating expenses	**4,088,476.11**	21,927,628.07
	Include: Loss from the disposal of non-current assets	**1,027,440.71**	586,530.85
4.	**Total Profit**		
	(losses are represented by "-")	**44,799,431.28**	121,419,237.30
	Less: Income tax	**5,996,381.02**	7,227,004.04
5.	**Net Profit**		
	(losses are represented by "-")	**38,803,050.26**	114,192,233.26
	Profit attributable to the equity shareholders of the parent company	**37,201,260.82**	107,006,048.69
	Minority interest	**1,601,789.44**	7,186,184.57
	Net profit of the combined party in enterprise combination under the same control realised before the combining date	**—**	—
6.	**Earnings per share:**		
	(1) Basic earnings per share	**0.06**	0.16
	(2) Diluted earnings per share	**0.06**	0.16

Consolidated Statement of Change of Shareholders' equity

2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

	2008								2007							
	Shareholders' equity attributable to the Parent								Shareholders' equity attributable to the Parent							
Items	Share capital	Capital reserve	Less: treasury stock	Surplus reserve	Undistributed profits	Other	Minority interest	Total shareholders' equity	Share capital	Capital reserve	Less: treasury stock	Surplus reserve	Undistributed profits	Other	Minority interest	Total shareholders' equity
1. Balance of last year	655,015,000.00	480,209,034.37	–	194,728,117.46	107,737,884.91	–	46,818,871.15	1,484,508,907.89	655,015,000.00	479,893,017.24	–	189,678,673.13	23,694,619.36	–	41,844,379.42	1,390,125,689.15
Add: change in accounting policies	–	–	–	5,365,905.92	48,293,153.23	–	–	53,659,059.15	–		–	3,574,572.04	32,171,148.30	–		35,745,720.34
Correction of prior errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Balance at the beginning of this yea	655,015,000.00	480,209,034.37	–	200,094,023.38	156,031,038.14	–	46,818,871.15	1,538,167,967.04	655,015,000.00	479,893,017.24	–	193,253,245.17	55,865,767.66	–	41,844,379.42	1,425,871,409.49
3. Change of this year (a decrease is represented by "-")	–	17,152,264.05	–	416,397.91	(15,616,337.09)	–	(34,677,602.53)	(32,725,277.66)	–	316,017.13	–	6,840,778.21	100,165,270.48	–	4,974,491.73	112,296,557.55
(1) Net profit	–	–	–	–	37,201,260.82	–	1,601,789.44	38,803,050.26	–	–	–	–	107,006,048.69	–	7,186,184.57	114,192,233.26
(2) Profit and loss directly accounted for in shareholders' equity	–	17,152,264.05	–	–	–	–	–	17,152,264.05	–	316,017.13	–	–	–	–	–	316,017.13
1. Net change in fair value of financial assets available for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Effect of changes in other shareholders' equity in investee companies referred at equity	–	–	–	–	–	–	–	–	–	316,017.13	–	–	–	–	–	316,017.13
3. Translate form Chinese not complete	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	17,152,264.05	–	–		–		17,152,264.05	–	–	–	–	–	–	–	–
Subtotal of item (1) and (2) above	–	17,152,264.05	–	–	37,201,260.82	–	1,601,789.44	55,955,314.31	–	316,017.13	–	–	107,006,048.69	–	7,186,184.57	114,508,250.39
(3) Contribution by shareholders and reduction of capital	–	–	–	–	–	–	(36,205,965.23)	(36,205,965.23)	–	–	–	–	–	–	(59,386.24)	(59,386.24)
1. Capital contribution by shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(59,386.24)	(59,386.24)
2. Amount settled by shares for amount accounted for in shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	(36,205,965.23)	(36,205,965.23)	–	–	–	–	–	–	–	–

(4) Profit distribution	–	–	–	416,397.91	(52,817,597.91)	–	(73,426.74)	(52,474,626.74)	–	–	–	6,840,778.21	(6,840,778.21)	–	(2,152,306.60)	(2,152,306.60)
1. Transfer from surplus reserves	–	–	–	416,397.91	(416,397.91)		–	–	–	–	–	6,840,778.21	(6,840,778.21)	–	–	–
2. Distribution to shareholders	–	–	–	–	(52,401,200.00)	–	(73,426.74)	(52,474,626.74)	–	–	–	–	–	–	(2,152,306.60)	(2,152,306.60)
3. Others	–	–		–	–	–	–	–	–	–	–	–	–	–	–	–
(5) Internal transfer of shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Transfer of capital reserve to share capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to share capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Compensation of loss from surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Balance at the end of this year	**655,015,000.00**	**497,361,298.42**	–	**200,510,421.29**	**140,414,701.05**	–	**12,141,268.62**	**1,505,442,689.38**	655,015,000.00	480,209,034.37	–	200,094,023.38	156,031,038.14	–	46,818,871.15	1,538,167,967.04

Consolidated Cash flow statement

2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Items	2008	2007
1. Cash flows from operating activities		
Cash received from the sale of goods and services provided	**1,146,768,180.79**	1,153,011,796.16
Return of tax payment	**9,414,070.13**	5,062,502.65
Other cash received relating to operating activities	**75,289,253.67**	1,332,368,675.89
Sub-total of cash inflows from operating activities	**1,231,471,504.59**	2,490,442,974.70
Cash paid on purchase of goods and services	**1,017,322,436.56**	833,250,717.55
Cash paid to staff and paid on behalf of staff	**191,341,137.41**	167,558,882.10
Taxes paid	**85,194,871.91**	52,998,273.44
Cash paid relating to other operating activities	**78,580,580.58**	1,468,715,800.97
Sub-total of cash outflows from operating activities	**1,372,439,026.46**	2,522,523,674.06
Net cash flows from operating activities	**(140,967,521.87)**	(32,080,699.36)

2. Cash flows from investment activities:

Cash received from investment recovered	**—**	6,322,470.00
Cash received from investment income	**293,732,401.20**	179,017,802.40
Net cash proceeds on the disposal of fixed assets, intangible assets and other long term assets	**3,986,649.00**	591,400.00
Cash received from disposal of subsidiaries and other business units	**—**	—
Cash received relating to other operating activities	**—**	—
Sub-total of cash inflows from investment activities	**297,719,050.20**	185,931,672.40
Cash paid on purchase of fixed assets, intangible assets and other long term assets	**74,385,252.75**	94,291,589.07
Cash paid for investment	**—**	—
Net cash paid on acquisition of subsidiaries and other business units	**—**	—
Cash paid on other investment activities	**—**	—
Sub-total of cash outflows from investment activities	**74,385,252.75**	94,291,589.07
Net cash flows from investment activities	**223,333,797.45**	91,640,083.33

3. Cash flows from financing activities:		
Cash received from investment	**—**	—
Including: cash received by subsidiaries from equity investment of minority shareholders	**—**	—
Cash received from borrowings	**703,500,000.00**	1,092,305,000.00
Cash received from other financing activities	**70,811,321.18**	360,071,906.85
Sub-total of cash inflows from financing activities	**774,311,321.18**	1,452,376,906.85
Cash paid on repayment of debts	**764,861,500.00**	1,271,462,479.05
Cash paid on distribution of dividends or profits, or interest repayment	**106,617,963.48**	58,106,856.53
Among: bonus and profit paid to minority shareholders by subsidiaries	**73,426.74**	2,054,697.80
Cash paid on other financing activities	**15,040,434.28**	408,628,060.51
Sub-total of cash and cash equivalents outflows from financing activities	**886,519,897.76**	1,738,197,396.09
Net cash flows from financing activities	**(112,208,576.58)**	(285,820,489.24)
4. Effect on cash and cash equivalents due to foreign currency exchange	**(585,040.05)**	(234,632.26)
5. Net increase in cash and cash equivalents	**(30,427,341.05)**	(226,495,737.53)
Add: balance of cash and cash equivalents at the beginning of the year	**380,822,357.69**	607,318,095.22
6. Balance of cash and cash equivalents at the end of the year	**350,395,016.64**	380,822,357.69

Balance Sheet

2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Assets	31 December 2008	31 December 2007
Current assets:		
Currency funding	**229,438,462.74**	326,570,810.95
Trading financial assets	**—**	—
Bills receivable	**—**	—
Accounts receivable	**89,150,124.91**	49,241,785.93
Prepayments	**22,505,935.65**	11,663,438.53
Interest receivable	**—**	—
Dividends receivable	**3,609,034.16**	2,081,925.44
Other receivables	**162,326,061.32**	170,638,217.62
Stocks	**167,188,463.35**	151,880,667.77
Non-current assets due within one year	**—**	—
Other current assets	**—**	—
Total current assets	**674,218,082.13**	712,076,846.24

Non-current assets:		
Available-for-sale financial assets	**—**	—
Held-to-maturity investments	**—**	—
Long-term receivables	**—**	—
Long-term equity investments	**1,114,870,454.47**	1,193,927,231.65
Investment properties	**—**	—
Fixed assets	**278,091,577.34**	288,419,814.81
Construction in progress	**22,979,502.20**	8,227,280.23
Construction supplies	**—**	—
Clearance of fixed assets	**—**	—
Biological assets for production	**—**	—
Gas assets	**—**	—
Intangible assets	**14,625,312.85**	11,522,711.12
Development expenses	**—**	—
Goodwill	**—**	—
Deferred tax asset	**—**	—
Other non-current assets	**—**	—
Total non-current assets	**1,430,566,846.86**	1,502,097,037.81
Total assets	**2,104,784,928.99**	2,214,173,884.05

Current liabilities:		
Short term loans	**567,500,000.00**	623,000,000.00
Trading financial liabilities	**—**	—
Bills payable	**—**	30,000,000.00
Accounts payable	**28,478,983.45**	22,687,564.60
Advances from customers	**1,507,273.51**	4,864,497.42
Salaries payable	**30,365,579.33**	1,201,428.09
Taxes payable	**20,210,067.21**	34,576,451.40
Interest payable	**1,155,400.00**	1,306,732.50
Dividends payable	**—**	—
Other payables	**62,146,080.30**	54,878,443.93
Non-current liabilities due within one year	**—**	—
Other current liabilities	**—**	—
Total current liabilities	**711,363,383.80**	772,515,117.94
Non-current liabilities:		
Long term loans	**—**	—
Bonds payables	**—**	—
Long term payables	**—**	—
Specific payables	**—**	—
Accrued liabilities	**—**	—
Deferred income tax liabilities	**—**	—
Other non-current liabilities	**—**	—
Total non-current liabilities	**—**	—
Total liabilities	**711,363,383.80**	772,515,117.94

Shareholders' equity:		
Share capital	**655,015,000.00**	655,015,000.00
Capital reserve	**478,941,415.14**	478,941,415.14
Less: treasury stock		—
Surplus reserve	**200,510,421.29**	200,094,023.38
Undistributed profits	**58,954,708.76**	107,608,327.59
Total shareholders' equity	**1,393,421,545.19**	1,441,658,766.11
Total liabilities and shareholders' equity	**2,104,784,928.99**	2,214,173,884.05

Profit statement

2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Items		31 December 2008	31 December 2007
1. Operating income		**202,237,264.92**	252,127,077.59
Less:	Operating cost	**193,329,335.44**	198,368,735.39
	Business taxes and surcharge	**241,696.17**	528,868.24
	Selling expenses	**6,932,135.03**	2,435,077.38
	Administrative expenses	**150,774,409.47**	120,209,616.27
	Financial expenses	**44,003,300.13**	51,246,513.72
	Impairment loss on assets	**23,146,786.79**	42,185,486.48
Add:	Income from change in fair value	**—**	—
	Investment income (losses are represented by "-")	**211,566,659.58**	252,201,093.78
Include:	Investment income of associates and joint ventures	**—**	—
2. Operating Profit (losses are represented by "-")		**(4,623,738.53)**	89,353,873.89
Add:	Non-operating income	**11,583,864.18**	388,385.00
Less:	Non-operating expenses	**2,796,146.57**	21,334,476.75
Include:	Loss from the disposal of non-current assets	**952,377.23**	224,532.66
3. Total Profit (losses are presented by"-")		**4,163,979.08**	68,407,782.14
Less:	Income tax fees	**—**	—
4. Net profit (net losses are represented by"-")		**4,163,979.08**	68,407,782.14
5. Earnings per share:			
(1)	Basic earnings per share	**—**	—
(2)	Diluted earnings per share	**—**	—

Statement of Change of Shareholders’ equity

2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Items	2008 Share capital	2008 Capital reserve stock	2008 Less: treasury	2008 Surplus reserve	2008 Undistributed profits	2008 Total shareholders’ equity	2007 Share capital	2007 Capital reserve	2007 Less: treasury stock	2007 Surplus reserve	2007 Undistributed profits	2007 Total shareholders’ equity
1. Balance of last year	**655,015,000.00**	**478,941,415.14**	**–**	**194,728,117.46**	**59,315,174.36**	**1,387,999,706.96**	655,015,000.00	478,625,398.01	–	189,678,673.13	13,870,175.36	1,337,189,246.50
Add: change in accounting policies	**–**	**–**	**–**	**5,365,905.92**	**48,293,153.23**	**53,659,059.15**	–	–		3,574,572.04	32,171,148.30	35,745,720.34
Correction of prior errors	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
2. Balance at the beginning of this year	**655,015,000.00**	**478,941,415.14**	**–**	**200,094,023.38**	**107,608,327.59**	**1,441,658,766.11**	655,015,000.00	478,625,398.01	–	193,253,245.17	46,041,323.66	1,372,934,966.84
3. Change of this year (a decrease is represented by “-”)	**–**	**–**	**–**	**416,397.91**	**(48,653,618.83)**	**(48,237,220.92)**	–	316,017.13	–	6,840,778.21	61,567,003.93	68,723,799.27
(1) Net profit	**–**	**–**	**–**	**–**	**4,163,979.08**	**4,163,979.08**	–	–	–	–	68,407,782.14	68,407,782.14
(2) Profit and loss directly accounted for in shareholders’ equity	**–**	**–**	**–**	**–**	**–**	**–**	–	316,017.13	–	–	–	316,017.13
1. Net change in fair value of financial assets available for sale	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
2. Effect of changes in other shareholders’ equity in investee companies referred at equity	**–**	**–**	**–**	**–**	**–**	**–**	–	316,017.13	–	–	–	316,017.13
3. Items accounted to shareholders’ equity	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
4. Others	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Subtotal of item (1) and (2) above	**–**	**–**	**–**	**–**	**4,163,979.08**	**4,163,979.08**	–	316,017.13	–	–	68,407,782.14	68,723,799.27
(3) Contribution by shareholders and reduction of capital	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
1. Capital contribution by shareholders	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
2. Amount settled by shares for amount accounted for in shareholders’ equity	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
3. Others	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–

(4) Profit distribution	**–**	**–**	**–**	**416,397.91**	**(52,817,597.91)**	**(52,401,200.00)**	–	–	–	6,840,778.21	(6,840,778.21)	–
1. Transfer from surplus reserves	**–**	**–**	**–**	**416,397.91**	**(416,397.91)**	**–**	–	–	–	6,840,778.21	(6,840,778.21)	–
2. Distribution to shareholders	**–**	**–**	**–**	**–**	**(52,401,200.00)**	**(52,401,200.00)**	–	–	–	–	–	–
3. Others	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
(5) Internal transfer of shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
1. Transfer of capital reserve to share capital	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
2. Transfer of surplus reserve to share capital	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
3. Compensation of loss from surplus reserve	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
4. Others	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
4. Balance at the end of this year	**655,015,000.00**	**478,941,415.14**	**–**	**200,510,421.29**	**58,954,708.76**	**1,393,421,545.19**	655,015,000.00	478,941,415.14	–	200,094,023.38	107,608,327.59	1,441,658,766.11

Cash flow statement

2008

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Items	2008	2007
1. Cash flows from operating activities		
Cash received from the sale of goods and services provided	**171,408,325.84**	348,162,243.79
Return of tax payment	**—**	—
Other cash received relating to operating activities	**48,832,039.95**	1,098,366,625.02
Sub-total of cash inflows from operating activities	**220,240,365.79**	1,446,528,868.81
Cash paid on purchase of goods and services	**283,882,101.56**	219,020,048.78
Cash paid to staff and paid on behalf of staff	**61,587,163.81**	82,724,208.22
Taxes paid	**17,788,115.25**	7,400,292.70
Cash paid relating to other operating activities	**55,703,467.98**	1,285,263,329.14
Sub-total of cash outflows from operating activities	**418,960,848.60**	1,594,407,878.84
Net cash flows from operating activities	**(198,720,482.81)**	(147,879,010.03)

2. Cash flows from investment activities:		
Cash received from investment recovered	**—**	6,322,470.00
Cash received from investment income	**302,439,165.09**	182,892,367.57
Net cash proceeds on the disposal of fixed assets, intangible assets and other long term assets	**45,200.00**	391,900.00
Cash received from disposal of subsidiaries and other business units	**—**	—
Cash received relating to other operating activities	**—**	—
Sub-total of cash inflows from investment activities	**302,484,365.09**	189,606,737.57
Cash paid on purchase of fixed assets, intangible assets and other long term assets	**21,726,678.77**	16,078,237.78
Cash paid on investment	**22,858,363.58**	32,709,921.63
Net cash paid on acquisition of subsidiaries and other business units	**—**	—
Cash paid on other investment activities	**—**	—
Sub-total of cash outflows from investment activities	**44,585,042.35**	48,788,159.41
Net cash flows from investment activities	**257,899,322.74**	140,818,578.16

3.	**Cash flows from financing activities:**		
	Cash received from investment	**—**	—
	Cash received from borrowings	**677,500,000.00**	1,047,000,000.00
	Cash received from other financing activities	**80,000,000.00**	50,589,234.00
	Sub-total of cash inflows from financing activities	**757,500,000.00**	1,097,589,234.00
	Cash paid on repayment of debts	**733,000,000.00**	1,230,153,779.05
	Cash paid on distribution of dividends or profits, or interest repayment	**101,266,030.80**	52,257,314.49
	Cash paid on other financing activities	**1,203,333.32**	80,664,400.00
	Sub-total of cash and cash equivalents outflows from financing activities	**835,469,364.12**	1,363,075,493.54
	Net cash flows from financing activities	**(77,969,364.12)**	(265,486,259.54)
4.	**Effect on cash due to foreign currency exchange**	**(1,824.02)**	(64,676.93)
5.	**Net increase in cash and cash equivalents**	**(18,792,348.21)**	(272,611,368.34)
	Add: balance of cash and cash equivalents at the beginning of the year	**246,370,810.95**	518,982,179.29
6.	**Balance of cash and cash equivalents at the end of the year**	**227,578,462.74**	246,370,810.95

9.3 As compared with the latest annual report, changes in accounting policy, accounting estimation and auditing methods are as follows:

Pursuant to the requirements under "Accounting Standards for Business Enterprises Interpretation No. 2" issued by the Ministry of Finance on 7 August 2008 and the "Notice of the Ministry of Finance concerning Preparation of 2008 Annual Report in accordance with the Accounting Standards" issued on 26 December 2008, adjustments are made by the Company to bring into line the differences between the financial statements of the A shares and H shares of the Company in 2008 and retrospective adjustments were made accordingly.

9.4 There was no material audit deviation adjustment during the reporting period.

9.5 As compared with the latest annual report, there is no change in the scope of consolidation in the financial reports during the reporting period.

By Order of the Board
Nanjing Panda Electronics Company Limited
Li Anjian
Chairman

Nanjing, the People's Republic of China
26 March 2009

As at the date of this announcement, the Board comprises: 1. Executive Director: Mr. Li Anjian; 2. Non-executive Directors: Mr. Xu Guofei, Ms. Liu Ailian, Mr. Zhu Lifeng, Mr. Shi Qiusheng, Mr. Lu Qing; 3. Independent Non-executive Directors: Mr. Cai Lianglin, Mr. Ma Chung Lai, Lawrence, Mr. Tang Yousong.